Star Advertiser
Sunday, January 29, 2012

STAR-ADVERTISER | ISLAND VOICES

Rail Revenues Up, Contract Costs Down, so Extending GET Surcharge Not in Cards

By Mayor Peter Carlisle

The Honolulu rapid transit project promises to be the greatest job stimulus in the history of the City and County of Honolulu. As mandated by the will of the people, the project is in the hands of the Honolulu Authority for Rapid Transportation (HART) and continues to be scrutinized, as it should be, by the federal government.

I was recently in Washington, D.C., attending the U.S. Conference of Mayors and I brought together HART Finance Committee Chairman Don Horner, one of the best financial minds in the state, and Federal Transit Administration Administrator Peter Rogoff, one of the most astute transit experts in the nation.

The purpose of the Jan. 18 meeting was to discuss and finalize details with the FTA of Honolulu's path to a Full Funding Grant Agreement and receipt of $1.55 billion in federal New Starts funding. The meeting was productive, and the FTA continues to support our rail project because HART's financial plan is sound.

As of today, revenues for the project exceed projections and contract costs have come in $300 million below budget. Therefore, absent some unlikely and unexpected future event, extending the general excise tax surcharge is not needed to fund the project.

Unfortunately, instead of informing the public, the headline in Wednesday's Honolulu Star-Advertiser, "Mayor could extend rail tax to ensure funding of project" incorrectly implied that I am considering this option. I am not seeking a GET extension. Also, the governor, the state Legislature and the City Council must all be involved to pass this kind of legislation, not just the mayor.

Furthermore, the extension of the GET surcharge beyond 2022 is not a new option. It was first raised in the November 2007 financial plan as an option to increase revenues. It is not needed now to fund Honolulu's rail project.

The option was also included in the April 2011 draft financial plan for entry into final design. On Page 4-3, in discussing risks and uncertainties, it stated, "Extending the collection period by two years, through Dec. 31, 2024, would generate approximately $817 million in additional GET Surcharge revenues." This was followed by an analysis of how long an extension would be needed in four different hypothetical scenarios of shortfalls such as a lower federal funding stream and a 10 percent cost overrun, which could be filled with a six-quarter extension.

This analysis was revised in our most recent financial plan (September 2011). The proposed time for an extension was shortened because the project cost was reduced. The extension to address a hypothetical 10 percent shortfall was reduced to five quarters.
In the last quarter of 2011, the GET revenue was $12.8 million more than what was expected. So costs are down and revenues are up. This is great news for rail and Honolulu's future.

While in Washington, D.C., I heard U.S. Transportation Secretary Ray LaHood stress to mayors from across the country that if job creation is important in their jurisdiction, then it is wise to invest in transportation infrastructure. During a briefing last year in Honolulu on our rail project, LaHood emphasized the project would promote local jobs.

This is exactly what we need. A recent article highlighted that Hawaii's jobless rate is up to its highest level in 15 months. There are too many people unemployed on Oahu. Honolulu continues to meet FTA milestones and requirements.

We at the city are working diligently to move this project forward and rail will put people back to work now.

Peter Carlisle is the mayor of the City and County of Honolulu.

Source: Honolulu Star-Advertiser | Island Voices | Sunday, January 29, 2012
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